

## **103 KAR 16:130. Apportionment and allocation; railroad companies.**

RELATES TO: KRS 141.120

STATUTORY AUTHORITY: KRS Chapter 13A

NECESSITY, FUNCTION, AND CONFORMITY: This administrative regulation, under authority of KRS 141.120(10)(b), specifies how the factors for apportioning the income of interstate railroad companies are to be determined.

Section 1. Definitions. (1) "Equipment property" means property recorded in the primary accounts designed to show the cost of the classes of equipment owned by the carrier, or held under equipment trust agreements or other contractual obligations for purchase of the property.

(2) "Road property" means property recorded in the primary accounts designed to show the cost of land and road property owned by the carrier and devoted to transportation service.

(3) Other accounting terms and account titles in this administrative regulation shall have those definitions assigned by the Interstate Commerce Commission.

Section 2. General. (1) Business income of multistate railroad companies shall be apportioned to Kentucky by multiplying the business income by a weighted fraction, the numerator of which is the weighted sales factor (fifty (50) percent) plus the weighted property factor (twenty-five (25) percent) plus the payroll factor (twenty-five (25) percent) and the denominator of which is four (4).

(2) Nonbusiness income shall be allocated to Kentucky pursuant to KRS 141.120(3) through (7) and 103 KAR 16:060.

Section 3. Sales Factor. Sales means railway operating revenue as defined by the Interstate Commerce Commission (I.C.C.) plus all other business income. The sales factor is a fraction, the numerator of which is railway operating revenue plus other business income assigned to Kentucky and the denominator of which is total railway operating revenues plus total other business income. Railway operating revenue and other business income shall be assigned to Kentucky as follows:

(1) Railway operating revenue shall be assigned to Kentucky by the use of the ratio of revenue car miles in Kentucky to total revenue car miles of the railway carrier everywhere. The term "revenue car mile" shall mean the movement of a loaded car one (1) mile.

(2) All other gross receipts classified as business income shall be assigned to Kentucky pursuant to KRS 141.120(8)(c)3.

Section 4. Property Factor. (1) The property factor shall be a fraction, the numerator of which is the average value of road property owned or leased in Kentucky plus the average value of equipment property owned or leased in Kentucky, plus the average value of all other real or tangible business property owned or leased in Kentucky and the denominator of which is the average value of the total owned or leased road property, equipment property and other real or tangible business property. The average value of all property during the taxable period shall be determined under the provisions of KRS 141.120(8)(a). The value of owned road property, equipment property and other business property shall be its original cost reported for I.C.C. purposes plus capitalized improvements. The value of leased property shall be determined in accordance with the provisions of KRS 141.120(8). The value of leased equipment property and road property shall exclude joint facility and joint trackage rentals.

(2) Property shall be assigned to Kentucky (numerator) as follows:

(a) Equipment property owned or leased shall be assigned on the ratio that the locomotive and respective classes of car miles in Kentucky bears to the total locomotive and respective classes of car miles everywhere;

- (b) Road property owned or leased shall be assigned if its situs is in Kentucky; and
- (c) Other business property, real or tangible, shall be assigned if its situs is in Kentucky.

Section 5. Payroll Factor. Payroll shall be assigned to Kentucky under the provisions of KRS 141.120(8)(b). (IC-13; 1 Ky.R. 224; eff. 1-8-75; Am. 15 Ky.R. 273; eff. 9-22-88; 20 Ky.R. 2876; eff. 5-18-94.)